

United States Bankruptcy Court
Southern DISTRICT OF Texas

PROOF OF CLAIM

In re (Name of Debtor) Specialty Retailers, Inc.
Specialty Retailers, Inc. (NV)
Stage Stores, Inc.

Case Number 0035078-H2-11
0035079-H2-11
0035080-H2-11

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor
Brookshire Brothers, Ltd. &
Brookshire Brothers Profit Sharing Trust
Name and Address Where Notices Should be Sent

Mark Weaver
Brookshire Brothers, Ltd.
1201 Ellen Trout Dr.
Lufkin, Texas 75904

- ☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
- ☐ Check box if you have never received any notices from the bankruptcy court in this case.
- ☒ Check box if the address differs from the address on the envelope sent to you by the court.

THIS SPACE IS FOR
COURT USE ONLY

ACCOUNT OR OTHER NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR:

Check here if this claim ☐ replaces ☐ amends a previously filed claim, dated _____

1. BASIS FOR CLAIM

- ☐ Goods sold
☐ Services performed
☐ Money loaned
☐ Personal injury/wrongful death
☐ Taxes
☒ Other (Describe briefly) Lease Space Rental

- ☐ Retiree benefits as defined in 11 U.S.C. §1114(a)
☐ Wages, salaries, and compensation (Fill out below)
Your social security number _____
Unpaid compensation for services performed
from _____ (date) to _____ (date)

2. DATE DEBT WAS INCURRED

3/16/98

3. IF COURT JUDGMENT, DATE OBTAINED:

4. CLASSIFICATION OF CLAIM. Under the Bankruptcy Code all claims are classified as one or more of the following: (1) Unsecured nonpriority, (2) Unsecured Priority, (3) Secured. It is possible for part of a claim to be in one category and part in another. CHECK THE APPROPRIATE BOX OR BOXES that best describe your claim and STATE THE AMOUNT OF THE CLAIM AT TIME CASE FILED.

☐ SECURED CLAIM \$ _____
Attach evidence of perfection of security interest
Brief Description of Collateral:
☐ Real Estate ☒ Motor Vehicle ☐ Other (Describe briefly)
Amount of arrearage and other charges at time case filed included in secured claim above, if any \$ _____

☐ UNSECURED NONPRIORITY CLAIM \$ _____
A claim is unsecured if there is no collateral or lien on property of the debtor securing the claim or to the extent that the value of such property is less than the amount of the claim.

☒ UNSECURED PRIORITY CLAIM \$ 578,387.70

Specify the priority of the claim.

- ☐ Wages, salaries, or commissions (up to \$2000), earned not more than 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier—11 U.S.C. § 507(a)(3)
- ☐ Contributions to an employee benefit plan—11 U.S.C. § 507(a)(4)
- ☐ Up to \$900 of deposits toward purchase, lease, or rental of property or services for personal, family, or household use—11 U.S.C. § 507(a)(6)
- ☐ Taxes or penalties of governmental units—11 U.S.C. § 507(a)(7)
- ☒ Other—Specify applicable paragraph of 11 U.S.C. § 507(a) Rent & Expenses

5. TOTAL AMOUNT OF
CLAIM AT TIME \$ 578,387.70
CASE FILED: (Unsecured) (Secured) (Priority) (Total)

☐ Check this box if claim includes charges in addition to the principal amount of the claim. Attach itemized statement of all additional charges.

6. CREDITS AND SETOFFS: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. In filing this claim, claimant has deducted all amounts that claimant owes to debtor.

7. SUPPORTING DOCUMENTS: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, or evidence of security interests. If the documents are not available, explain. If the documents are voluminous, attach a summary.

8. TIME-STAMPED COPY: To receive an acknowledgement of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

Date
6/16/00

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any)

Mark Weaver

THIS SPACE IS FOR
COURT USE ONLY

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Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§152 and 3571.

Brookshire Brothers, Ltd.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	
	§	
STAGE STORES, INC.,	§	CASE NO. 0035078-H2-11
A Delaware Corporation,	§	
SPECIALTY RETAILERS, INC.	§	CASE NO. 0035079-H2-11
A Texas Corporation, and	§	
SPECIALTY RETAILERS, INC. (NV),	§	CASE NO. 0035080-H2-11
A Nevada Corporation,	§	Chapter 11
	§	
DEBTORS.	§	(Jointly Administered Under Case No. 00-35078-H2-11)

**NOTICE OF (I) APPROVAL OF INTERIM ORDER (I) AUTHORIZING POST-PETITION
SECURED SUPERPRIORITY FINANCING PURSUANT TO BANKRUPTCY CODE SECTIONS
105(A), 362, 364(C)(1), 364(C)(2), 364(C)(3) AND 364(D), (II) AUTHORIZING THE DEBTORS'
USE OF CASH COLLATERAL PURSUANT TO BANKRUPTCY CODE SECTION 363(C), (III)
GRANTING ADEQUATE PROTECTION PURSUANT TO SECTIONS 363 AND 364 OF THE
BANKRUPTCY CODE, (IV) AUTHORIZING THE DEBTORS TO ENTER INTO AND
APPROVING, THE RECEIVABLES PROGRAM TERMINATION AGREEMENT, (V)
AUTHORIZING THE DEBTORS TO ENTER INTO NEW RECEIVABLES PURCHASE AND
PLEDGE TRANSACTIONS AND (VI) SETTING FINAL HEARING PURSUANT TO
BANKRUPTCY RULES 4001(B) AND 4001(C)**

Please be advised that the Interim Order (I) Authorizing Post-Petition Secured Superpriority Financing Pursuant to Bankruptcy Code Sections 105(a), 362, 364(c)(1), 364(c)(2), 364(c)(3) and 364(d), (II) Authorizing the Debtors' Use of Cash Collateral Pursuant to Bankruptcy Code Section 363(c), (III) Granting Adequate Protection Pursuant to Sections 363 and 364 of the Bankruptcy Code, (IV) Authorizing the Debtors to Enter into and Approving, the Receivables Program Termination Agreement, (V) Authorizing the Debtors to Enter into New Receivables Purchase and Pledge Transactions and (VI) Setting Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c) (the "Order") was approved on June 2, 2000, and entered on the docket on June 5, 2000.

Please be further advised that pursuant to the Order, the Court has set a Final Hearing on the Emergency Motion For Interim And Final Order (I) Authorizing Post-petition Secured

Superpriority Financing Pursuant to Bankruptcy Code Sections 105(a), 362, 364(c)(1), 364(c)(2), 364(c)(3) And 364(d); (II) Authorizing The Debtors' Use of Cash Collateral Pursuant to Bankruptcy Code Section 363(c); (III) Granting Adequate Protection Pursuant to Sections 363 And 364 of The Bankruptcy Code; (IV) Authorizing The Debtors to Enter Into, And Approving, The Receivables Program Termination Agreement; (V) Authorizing The Debtors to Enter Into New Receivables Purchase And Pledge Transactions And (VI) Setting Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c)(the "Motion") for June 26, 2000 at 1:00 p.m., at the United States Bankruptcy Court, 515 Rusk Avenue, Room 4025, Houston, Texas 77002.

ANY PARTY IN INTEREST OBJECTING TO THE INTERIM ORDER OR THE ENTRY OF A FINAL ORDER APPROVING THE DIP FACILITY AS DESCRIBED IN THE MOTION SHALL FILE WRITTEN OBJECTIONS WITH THE UNITED STATES BANKRUPTCY COURT CLERK FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION, NO LATER THAN 4:00 P.M. ON JUNE 19, 2000, WHICH OBJECTIONS SHALL BE SERVED SO THAT SAME ARE RECEIVED, NO LATER THAN 4:00 P.M., BY THE OFFICE OF THE UNITED STATES TRUSTEE, ATTENTION: J. HECTOR DURAN, ESQ.; COUNSEL FOR THE DEBTORS, ATTENTION: LYNNETTE R. WARMAN AND N. MARTIN STRINGER; COUNSEL FOR CITIBANK, N.A., ATTENTION; MARK SHAPIRO AND MICHAEL DALTON; COUNSEL FOR THE PREPETITION 1997 AGENT, DAVID KURTZ AND MITCHELL A. SEIDER; COUNSEL FOR THE PREPETITION 2000 AGENT, DAVID KURTZ, AND COUNSEL FOR THE CREDITORS' COMMITTEE, IF ANY SHOULD BE APPOINTED PRIOR TO THE DEADLINE TO FILE OBJECTIONS.

Respectfully submitted,

JENKENS & GILCHRIST,
a Professional Corporation

By: Lynnette R. Warman / By Permission
Andrew E. Jillson Martin S. Allen
00786945

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Lynnette R. Warman
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Telecopy: (405) 239-7902

ATTORNEYS FOR THE DEBTORS
AND DEBTORS-IN-POSSESSION

CERTIFICATE OF SERVICE

I hereby certify that on this the 5th day of June, 2000 a true and correct copy of the above and foregoing, along with a copy of the Order as defined in the Notice, was sent to the parties on the attached Service List by U.S. mail, postage prepaid.

Lynnette R. Warman / By Permission
Andrew E. Jillson Martin S. Allen
Lynnette R. Warman

JUN 5 2000

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Michael N. Milby, Clerk of Court

IN RE.	§	
	§	
STAGE STORES, INC.,	§	CASE NO. 0035078-H-2-11 ✓
A Delaware Corporation,	§	
SPECIALTY RETAILERS, INC.,	§	CASE NO. 0035079-H-2-11
A Texas Corporation, and	§	
SPECIALTY RETAILERS, INC. (NV),	§	CASE NO. 0035080-H-2-11
A Nevada Corporation,	§	
	§	Chapter 11
DEBTORS.	§	(Joint Administration Requested)

**INTERIM ORDER (I) AUTHORIZING POST-PETITION
SECURED SUPERPRIORITY FINANCING PURSUANT TO
BANKRUPTCY CODE SECTIONS 105(a), 362, 364(c)(1), 364(c)(2), 364(c)(3)
AND 364(d), (II) AUTHORIZING THE DEBTORS USE OF CASH COLLATERAL
PURSUANT TO BANKRUPTCY CODE SECTION 363(c), (III) GRANTING
ADEQUATE PROTECTION PURSUANT TO SECTIONS 363 AND 364 OF THE
BANKRUPTCY CODE, (IV) AUTHORIZING THE DEBTORS TO ENTER INTO,
AND APPROVING, THE RECEIVABLES PROGRAM TERMINATION
AGREEMENT, (V) AUTHORIZING THE DEBTORS TO ENTER INTO NEW
RECEIVABLES PURCHASE AND PLEDGE TRANSACTIONS AND (VI) SETTING
FINAL HEARING PURSUANT TO BANKRUPTCY RULES 4001(b) AND 4001(c)**

THIS MATTER having come before the Court upon the Motion (the "Motion") of Specialty Retailers, Inc., a Texas corporation (the "Borrower"), Stage Stores, Inc., a Delaware corporation (the "Parent Guarantor") and Specialty Retailers, Inc., a Nevada corporation (the "Subsidiary Guarantor"), as debtors and debtors in possession (collectively, the "Debtors") seeking entry of an order:

(a) authorizing the Borrower to obtain credit and incur debt secured by liens on property of the Debtors' estates pursuant to sections 364(c)(2), 364(c)(3) and 364(d)(1) of Title 11, United

(25)

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States Code (the "Bankruptcy Code") and with priority (subject to the Carve-Out, as defined in Paragraph 21 below) as to administrative expenses, as provided in section 364(c)(1) of the Bankruptcy Code;

(b) authorizing the Debtors to use cash collateral and other collateral pursuant to sections 363(c) and 363(e) of the Bankruptcy Code and Bankruptcy Rule 4001(b);

(c) authorizing the Debtors to establish that financing arrangement (the "**DIP Credit Facility**") which is contemplated by the Debtor-in-Possession Credit Agreement dated as of June 2, 2000 (the "**DIP Credit Agreement**"; terms defined therein and not otherwise defined herein being used herein as therein defined) among the Borrower, the Parent Guarantor, Citicorp U.S.A., Inc., as Collateral Agent and Administrative Agent (the "**Agent**"), the lenders named therein (the "**Lenders**"), substantially in the form annexed to the Motion as Exhibit B, and to incur the Obligations as provided for in the DIP Credit Agreement and the other DIP Loan Documents (as hereafter defined) (the "**Obligations**");

(d) authorizing the Debtors to provide the Agent (for the ratable benefit of the Agent and the Lenders) with Liens (as defined in the DIP Credit Agreement) upon the Debtors' property as provided in and as contemplated by the DIP Credit Agreement and the Security Agreement (as defined in the DIP Credit Agreement) (the DIP Credit Agreement, the Security Agreement and all such instruments and documents as may be executed and delivered in connection therewith or which relate thereto, including, without limitation, the Subsidiary Guaranty in the form of Exhibit E to the DIP Credit Agreement to be executed by each Subsidiary Guarantor, collectively, the "**DIP Loan Documents**"), as supplemented by this Order;

(e) authorizing the Debtors to grant the Agent (for the ratable benefit of the Agent and the Lenders) a Super-Priority Claim (as defined in Paragraph 18(a), below) over any and all administrative expenses other than as set forth in Paragraph 18(a), below;

(f) authorizing the Borrower to utilize the proceeds of the first borrowing under the DIP Credit Facility to repay in full the Debtors' obligations to Credit Suisse First Boston, as the administrative agent and collateral agent for the lenders (the "**Prepetition 2000 Agent**" and, together with such lenders, the "**Prepetition 2000 Lenders**") under the Credit Agreement dated as of March 6, 2000 among the Borrower, the Parent Guarantor, the banks named therein and Credit Suisse First Boston, as administrative agent, collateral agent, swingline bank and L/C bank (as amended from time to time, the "**Prepetition 2000 Credit Agreement**"), such obligations consisting of unpaid principal, accrued and unpaid interest, and unpaid fees and expenses for which the Debtors are responsible (collectively, the "**Prepetition 2000 Obligations**"), *provided* that such payment shall be without prejudice to (A) the right, if any, of any Official Creditors' Committee appointed in these proceedings to seek an order (i) disallowing any claim of the Prepetition 2000 Lenders on account of the Prepetition 2000 Credit Agreement, (ii) avoiding any security or collateral interest in the assets of the Debtors claimed by the Prepetition 2000 Lenders, (iii) modifying the amount, validity, priority or extent of the Prepetition 2000 Lenders' liens or claims under the Prepetition 2000 Credit Agreement and related loan documents, (iv) directing any party to disgorge all or any part of any payment or transfer made by the Borrower to the Prepetition 2000 Lenders in respect of the Prepetition 2000 Credit Agreement, including the payment authorized in Paragraph 6, below, or (v) providing any relief, legal or equitable, or otherwise permitting any Official Creditors' Committee to recover from the Prepetition 2000 Lenders on account of the relationship between the Prepetition 2000 Lenders and the Debtors arising under, relating to or in connection with the Prepetition 2000 Credit Agreement, in accordance with the provisions of this Order, or (B) the right of any party in interest to object to the terms of the DIP Credit Facility in the manner provided for in Paragraph 34, below;

(g) authorizing the Borrower to provide adequate protection to Credit Suisse First Boston, as the administrative agent and collateral agent (the "**Prepetition 1997 Agent**") for the lenders under the Amended and Restated Credit Agreement dated as of June 17, 1997 (as amended from time to time, the "**Prepetition 1997 Credit Agreement**") among the Borrower, the Parent Guarantor, the banks named therein (together with the Prepetition 1997 Agent, the "**Prepetition 1997 Lenders**"), subject to the terms and conditions set forth in Paragraphs 9, 10 and 11 of this Order and the Intercreditor Arrangement (as hereafter defined), on account of the prepetition debt under the Prepetition 1997 Credit Agreement and all collateral and ancillary documents executed in connection therewith to the extent of any diminution in the value of the Prepetition 1997 Lenders' interests in the Prepetition Collateral (as defined in Paragraph E below) resulting from the priming liens and security interests to be granted herein pursuant to Bankruptcy Code section 364(d) to secure the DIP Financing, the use, sale or lease of the Prepetition Collateral (as defined in Paragraph E below), the imposition of the automatic stay pursuant to Bankruptcy Code section 362(a), or the transfer of the Receivables pursuant to the Termination Agreement (as hereafter defined); and

(h) approving the agreement relating to the termination of the Receivables Program (the "**Termination Agreement**", a copy of which is annexed to the Motion as Exhibit B) among the Borrower, the trustee (the "**Trustee**") of the SRI Receivables Master Trust (the "**Receivables Trust**") and SRI Receivables Purchase Co., Inc., and authorizing the Borrower to utilize the proceeds of the first borrowing under the DIP Credit Facility to fund payments in connection with the Termination Agreement.

(i) authorizing the Borrower to perform in the ordinary course of its business the Receivables Transfer Agreement, dated as of August 1, 1998 (as amended from time to time, the

"Receivables Transfer Agreement"), with Granite National Bank, N.A., concerning the purchase of private label credit card receivables.

It appearing that absent the relief requested herein, the Debtors will suffer immediate and irreparable harm; and it further appearing that notice of the Motion is sufficient and complies with the requirements of Bankruptcy Rules 4001(c) and 4001(d) and BLR 4001(b) and (c); and for good cause shown;

IT IS HEREBY FOUND THAT:

A. On June 1, 2000 (the "**Petition Date**"), each of the Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 et seq.

B. The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108. No trustee or examiner has been appointed in these cases, and no official creditors' committee has been formed as of the date hereof.

C. This Court has jurisdiction, pursuant to 28 U.S.C. §§ 157(b) and 1334, over these proceedings, and over the persons and property affected hereby.

D. Without prejudice to the rights of any Official Creditors' Committee (but subject to the limitations thereon described below in decretal Paragraph 11), the Debtors admit that, in accordance with the terms of the Prepetition 1997 Credit Agreement, the Debtors are truly and justly indebted to the Prepetition 1997 Lenders, without defense, counterclaim or offset of any kind, and that as of the Petition Date, (i) the Borrower was liable to the Prepetition 1997 Lenders in the aggregate principal amount of approximately \$172 million, plus contingent claims, interest, commitment, agents' and other fees, and costs, charges and expenses, in respect loans made by the Prepetition 1997 Lenders to the Borrower pursuant to the Prepetition 1997 Credit

Agreement (the "**Prepetition 1997 Lender Claim**"), (ii) the Borrower was contingently liable to the Prepetition 1997 Lenders in the aggregate principal amount of approximately \$27.3 million in respect of letters of credit issued pursuant to the Prepetition 1997 Credit Agreement and which remained outstanding as of the Petition Date, and (iii) each of the Subsidiary Guarantors was contingently liable to the Prepetition 1997 Lenders pursuant to the Subsidiary Guaranties.

E. Without prejudice to the rights of any Official Creditors' Committee (but subject to the limitations thereon described below in decretal Paragraph 11, and further subject to the qualifications in the last sentence of this paragraph), for the purposes of this Order, the Debtors further admit that the Prepetition 1997 Obligations are secured by enforceable liens and security interests granted by the applicable Debtors to the Prepetition 1997 Agent, for the ratable benefit of the Prepetition 1997 Lenders, upon and in among other things (a) (i) all Equipment (capitalized terms used in this Paragraph E, but not otherwise defined in this Paragraph E shall have the meaning set forth in the Prepetition 1997 Credit Agreement), (ii) all Contracts and Contract Rights arising thereunder, (iii) all Marks and the goodwill symbolized by the Marks, (iv) all Patents and Copyrights, (v) all computer programs and intellectual property rights therein and all other proprietary information including trade secrets, (vi) the right to sue for past infringement of the Prepetition Collateral in clauses (iii) through (v) above, (vii) all other General Intangibles and Instruments, (viii) the L/C Cash Collateral Account, all funds and investments held in the L/C Cash Collateral Account and all certificates and instruments evidencing the L/C Cash Collateral Account, (ix) all interest, dividends, cash, instruments and other property received in exchange for the collateral comprising the L/C Cash Collateral Account, (x) all Fixtures, (xi) all Inventory (to secure an amount equal to the difference between \$50 million of borrowing under the Prepetition 1997 Credit Agreement minus the amount of

indebtedness under the Prepetition 2000 Credit Agreement outstanding on the date of the occurrence of a event of default thereunder), (xii) the Account and all funds held therein or credited thereto, (xiii) the Custodial Account and all Security Entitlements, Financial Assets, Investment Property and other property credited thereto, (xiv) all other tangible personal property, (xv) all books and records relating to any of the property described in clauses (i) through (xiv) above, and (xvi) all proceeds and products of any Collateral referred to in clauses (i) through (xv) above, pursuant to the Security Agreement, dated as of June 17, 1997, as amended by the Amended and Restated Security Agreement, dated as of March 6, 2000, among the Borrower, the Parent Guarantor, Specialty Retailers, Inc. (NV), and Credit Suisse First Boston as Collateral Agent (the "**Prepetition Security Agreement**"), (b) all issued and outstanding shares of capital stock owned by Specialty Retailers, Inc. or Stage Stores, Inc., including, but not limited to, the stock of SRI Receivables Purchase Company, Inc. and all promissory notes issued to Specialty Retailers, Inc. or Stage Stores, Inc., including the Intercompany Note among Stage Stores, Inc. and Specialty Retailers, Inc. pursuant to the Pledge Agreement, dated as of June 17, 1997, among Specialty Retailers, Inc., Stage Stores, Inc. and Credit Suisse First Boston as Collateral Agent (the "**Pledge Agreement**"), (c) all of the right, title and interest to all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, trade style, service marks, certification marks, collective marks, logos, other sources of business identifiers, designs and general intangibles of a like nature and all registrations renewals and application relating to the foregoing, the right to sue for past infringement of the foregoing and the proceeds of the foregoing, including, without limitation, license royalties, income, payments, claims, damages and proceeds of suit pursuant to the Trademark Security Agreement, dated as of June 17, 1997, among Specialty Retailers, Inc., Stage Stores, Inc., and Credit Suisse First Boston as Collateral Agent (the "**Trademark Security**

Agreement"), (d) all real property listed in Exhibit A to the Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of June 17, 1997, among Specialty Retailers, Inc., Kenneth Krauss and Credit Suisse First Boston as Collateral Agent (the "**Mortgage**") and (e) other property pledged to or otherwise subject to a lien or security interest in favor of the Prepetition 1997 Agent (collectively, the "**Prepetition Collateral**"), which, for avoidance of doubt does not include Receivables conveyed under the Receivable Program Documents. Notwithstanding the preceding sentence, with respect to the Liens and security interests granted to secure the Prepetition 1997 Obligations, such Liens and security interests granted for the first time on or about March 6, 2000 (the "**March 6 Collateral**") in the Prepetition Security Agreement, are, for all purposes involving the Debtors (but without prejudice to any other party), enforceable and unavoidable to the extent the Prepetition 1997 Obligations (including issued letters of credit which are drawn as of the Petition Date and/or subsequently drawn) as of the Petition Date exceed the total amount of the Prepetition 1997 Obligations (including issued and undrawn letters of credit) as of March 6, 2000, but in no event in an amount greater than \$12 million (the "**Balance**").

F. The Prepetition 1997 Lenders are entitled, pursuant to Bankruptcy Code sections 361, 363(c), 363(e) and 364(d), to adequate protection of their interest in the Prepetition Collateral (including their interest in the Debtors' cash which constitutes proceeds of the Prepetition Collateral and which is therefore cash collateral within the meaning of section 363 of the Bankruptcy Code (the "**Cash Collateral**")), to the extent of any diminution in value of the Prepetition Collateral resulting from the use, sale or lease thereof, the imposition of the automatic stay, the transfer of the Receivables pursuant to the Termination Agreement or the priming of the Liens on the Prepetition Collateral securing the Prepetition 1997 Obligations by the Liens in favor of the Agent and Lenders granted in this Order and the DIP Loan Documents

pursuant to Bankruptcy Code section 364(d). The Debtors have agreed to provide adequate protection to the Prepetition 1997 Lenders on the terms and conditions set forth in Paragraphs 9, 10 and 11 of this Order, which terms and conditions are fair and reasonable and were negotiated in good faith and at arm's length. The provision of adequate protection as set forth in Paragraphs 9, 10 and 11 is in the Debtors' best interests.

G. Without prejudice to the rights of any Official Creditors' Committee (but subject to the limitations thereon described below in decretal Paragraph 8), the Debtors admit that, in accordance with the terms of the Prepetition 2000 Credit Agreement, the Debtors are truly and justly indebted to the Prepetition 2000 Lenders, without defense, counterclaim or offset of any kind, and that as of the Petition Date, (i) the Borrower was liable to the Prepetition 2000 Lenders in the aggregate principal amount of approximately \$29,950,000, plus contingent claims, interest, commitment, agents' and other fees, and costs, charges and expenses, in respect loans made by the Prepetition 2000 Lenders to the Borrower pursuant to the Prepetition 2000 Credit Agreement (the "**Prepetition 2000 Lender Claim**"), in respect loans made by the Prepetition 2000 Lenders to the Borrower pursuant to the Prepetition 2000 Credit Agreement, and (ii) each of the 2000 Guarantors was contingently liable to the Prepetition 2000 Lenders pursuant to the 2000 Guaranties.

H. Without prejudice to the rights of any Official Creditors' Committee (but subject to the limitations thereon described below in decretal Paragraph 8), for the purposes of this Order, the Debtors further admit that the Prepetition 2000 Obligations are secured, pursuant to the Security Agreement, dated as of March 6, 2000 (the "**Inventory Security Agreement**") among the Prepetition 2000 Agent and the assignors thereunder, by enforceable liens and security interests granted by the applicable Debtors to the Prepetition 2000 Agent, for the ratable benefit of the Prepetition 2000 Lenders, upon and in the certain collateral identified in the Inventory

Security Agreement (the "**Prepetition 2000 Collateral**"), and that the value of the Prepetition 2000 Collateral as of the Petition Date exceeds the value as of the Petition Date of the Prepetition 2000 Claim.

I. Notwithstanding the existing security interest and lien in favor of the Prepetition 1997 Lenders on the Prepetition Collateral, the Prepetition 1997 Agent has, in its individual capacity, consented to the entry of this Order, the Debtors' use of the Cash Collateral, the transfer to the Debtors of the receivables that are owned by the Receivables Trust (the "**Receivables**") in accordance with the Termination Agreement, the approval of the Intercreditor Arrangement (the "**Intercreditor Arrangement**", a copy of which is annexed to this Order as Exhibit A), which further specifies the respective rights of the DIP Lenders and the Prepetition 1997 Lenders in respect of the Collateral and the Prepetition Collateral, and the granting to the DIP Lenders of a first priority, senior, perfected security interest in and, with respect to the Prepetition Collateral, a priming lien on, all of the Collateral (as defined below) other than (i) the real property housing the Borrower's distribution center located at 506 Beal Boulevard, Jacksonville, Texas and (ii) the real property housing the Borrower's credit card center located at 1020 Willow Creek, Jacksonville, Texas (together, the "**Excluded Real Property**"), in respect of which the Prepetition 1997 Agent has, in its individual capacity, consented to the granting to the DIP Lenders of a second, junior perfected security interest and lien, all subject to the terms and conditions set forth in this Order and the Intercreditor Arrangement.

J. Notwithstanding the existing security interest and lien in favor of the Prepetition 1997 Lenders on the Prepetition Collateral, the Prepetition 1997 Lenders have not objected to the entry of this Order, the Debtors' use of the Cash Collateral, the transfer of the Receivables in accordance with the Termination Agreement, the approval of the Intercreditor Arrangement, or the granting to the DIP Lenders of a first priority, senior, perfected security interest in and, with

respect to the Prepetition Collateral, a priming lien on, all of the Collateral (as defined below) other than the Excluded Real Property (in respect of which the Prepetition 1997 Lenders have not objected to the granting to the DIP Lenders of a second, junior perfected security interest and lien), all subject to the terms and conditions set forth in this Order and the Intercreditor Arrangement.

K. An immediate need exists for the Debtors to obtain funds with which to purchase inventory, continue their operations, and administer and preserve the value of their estates. The ability of the Debtors to finance their operations requires the additional availability of working capital, the absence of which would immediately and irreparably harm the Debtors, their estates, and their creditors and the possibility for a successful reorganization.

L. The Debtors are unable to obtain unsecured credit allowable under Bankruptcy Code section 503(b)(1) as an administrative expense.

M. The Debtors are also unable to obtain secured credit, allowable only under Bankruptcy Code sections 364(c)(2), 364(c)(3) and 364(d), except under the terms and conditions provided in this Order. The Debtors are unable to obtain credit for borrowed money without the Debtors' granting to the Agent (for the ratable benefit of the Agent and the Lenders) (i) Liens on various of the assets of the Debtors pursuant to Bankruptcy Code sections 364(c)(2), 364(c)(3), and 364(d) (which liens the Lenders have required to be free and clear of, and not subject to, any restrictions otherwise applicable to the disposition of such collateral which relate to, or are otherwise imposed by, trademark, copyright, patent, licensing or similar laws relating to intellectual property rights, or any other party's rights under any such law, including any such rights which may arise upon foreclosure of a security interest in any trademark, copyright, patent, mark, license or similar intellectual property right or interest of the Debtors (collectively, the "IP Restrictions")), and (ii) a super-priority administrative expense claim status pursuant to

section 364(c)(1) of the Bankruptcy Code and as provided by this Order. As a condition precedent to the DIP Financing, the Lenders have required that upon the occurrence of an Event of Default under any of the DIP Loan Documents, subject to required notice, the Agent may exercise any remedies provided thereunder or under applicable law, notwithstanding any such otherwise applicable IP Restrictions.

N. The relief requested in the Motion is necessary, essential, and appropriate for the continued operation of the Debtors' businesses and the management and preservation of their properties.

O. It is in the best interest of Debtors' estates to be allowed to establish the DIP Credit Facility contemplated by the DIP Credit Agreement and the other DIP Loan Documents. —

P. The terms and conditions of the DIP Credit Facility, including those which provide for the payment of interest to, and fees of, the Agent (for the benefit of the Agent and the Lenders) at the times, and in the manner provided under the DIP Credit Facility, are fair, and reasonable, and are believed by the Debtors to be the best available under the circumstances.

Q. The DIP Credit Agreement was negotiated in good faith and at arm's length between the Debtors, on the one hand, and the Agent and the Lenders. Credit to be extended under the DIP Credit Facility will be so extended in good faith, in consequence of which the Agent and the Lenders are entitled to the protection and benefits of Bankruptcy Code section 364(e).

R. The Termination Agreement was negotiated in good faith and at arm's length among SRI Receivables Purchase Co., Inc., the Borrower and the Trustee, in consequence of which the Trustee is entitled to the protection and benefits of Bankruptcy Code section 364(e).

Authorization of the Debtors to perform all acts and to make, execute and deliver all instruments and documents which may be required or necessary for the performance by any of the Debtors

thereunder, including the authorization for the Debtors to utilize the proceeds of the first borrowing under the DIP Credit Facility to fund payments in connection with the Termination Agreement, in accordance with Paragraph 16, is in the best interests of the Debtors, their creditors and their estates.

S. The obligations under the Receivables Transfer Agreement between the Borrower and Granite National Bank, N.A. shall be performed by the Borrower in the ordinary course of its business. Authorization of the Debtors to perform all acts and to make, execute and deliver all instruments and documents which may be required or necessary for the performance by any of the Debtors thereunder, consistent with the DIP Loan Documents, is in the best interests of the Debtors, their creditors and their estates.

T. The approval of the Intercreditor Arrangement and its application to the Prepetition 1997 Agent and the Prepetition 1997 Lenders is a condition precedent to the granting of adequate protection hereunder.

U. The notice of the Hearing at which the Order was entered, which notice was provided by the Debtors to the Office of the United States Trustee, the Prepetition 1997 Agent and counsel thereto, the Prepetition 1997 Lenders, the Prepetition 2000 Agent and counsel thereto, the Prepetition 2000 Lenders, the Trustee and the twenty (20) largest unsecured creditors of the Debtors constitutes adequate notice under the circumstances in accordance with Bankruptcy Rule 4001(c), BLR 4001(b) and (c) and Bankruptcy Code section 102(1), as required by Bankruptcy Code sections 364(c) and 364(d) in light of the emergency nature of the relief requested in the Motion.

V. Good and sufficient cause has been shown for the entry of this Order. Among other things, the entry of this Order will enable the Debtors to continue the operation of their business, increase the possibility for a successful reorganization, avoid disputes with the Prepetition 1997

Lenders with respect to adequate protection and be in the best interest of the Debtors, their creditors, and their estates

NOW THEREFORE, on the Motion of the Debtors and the record before the Court with respect to the Motion made by the Debtors, and with the consent of the Debtors and the Prepetition Agent in its individual capacity, and in the absence of any objection from the Prepetition 1997 Lenders and the Prepetition 2000 Lenders (after notice and a hearing) to the form and entry of this Order (including the Intercreditor Arrangement), and good cause appearing, it is

ORDERED:

APPROVAL OF AND AUTHORIZATION AS TO BORROWING
AND GRANTING OF LIENS AND SECURITY INTERESTS

1. The terms and the conditions of the DIP Credit Facility are hereby approved. The Debtors are authorized to:

- (a) Establish the DIP Credit Facility;
- (b) Execute each of the DIP Loan Documents to which any Debtor is a party;
- (c) With respect to the Borrower, borrow up to \$385 million (of which up to \$150 million may be borrowed under the Term Facility and the balance may be borrowed under the Working Capital Facility (each as defined in the DIP Credit Agreement)) under the DIP Credit Facility with a sublimit of \$40 million with respect to letters of credit; and
- (d) Pay all fees and charges required under the DIP Loan Documents.

2. The Debtors are hereby authorized and empowered to do and perform all acts and to make, execute, and deliver all instruments and documents which may be requisite or necessary

for the performance by the Debtors under the DIP Loan Documents and the creation and perfection of the Liens described in and provided for by the DIP Loan Documents, including, without limitation, all of the DIP Loan Documents and the Acknowledgement to the Intercreditor Arrangement.

3. As security for the Obligations, the Agent (for the ratable benefit of the Agent and the Lenders) shall have and is hereby granted (effective upon the date of entry of this Order) valid and perfected security interests in, and liens upon (the "Liens"), all present and after-acquired property of the Debtors of any nature whatsoever, including without limitation, all collateral described in the Security Agreement, all cash contained or maintained in any account maintained by any Debtor of any nature whatsoever and the proceeds of all causes of action (other than causes of action arising under the Bankruptcy Code) existing as of the Petition Date (collectively, with all proceeds and products of any or all of the foregoing, the "Collateral"):

(a) pursuant to Bankruptcy Code section 364(c)(2), a first priority, perfected Lien upon all of the Debtors' right, title and interest in, to and under all Collateral that is not otherwise encumbered by a validly perfected security interest or lien on the Petition Date;

(b) pursuant to Bankruptcy Code section 364(d)(1), a first priority, senior, perfected priming lien upon all of the Debtors' right title and interest in, to and under the Prepetition Collateral except for the Excluded Real Property; and

(c) pursuant to Bankruptcy Code section 364(c)(3), a second priority, junior, perfected lien upon all of the debtors' right, title and interest in, to and under all Collateral (excluding the Prepetition Collateral but including the Excluded Real Property) which is subject to a Permitted Lien, including without limitation, a validly perfected security interest or lien in existence as of the Petition Date or a valid lien

perfected (but not granted) after the Petition Date to the extent post-Petition Date perfection in respect of prepetition claims is expressly permitted under the Bankruptcy Code (the "**Permitted Subsequently Perfected Liens**"), *provided* that the Liens granted in favor of the Agent and the Lenders shall be senior to any Permitted Lien which is expressly stated in the Credit Agreement to be junior to the Liens in favor of the Agent and the Lenders. For the avoidance of doubt, the Liens upon the Collateral granted to the Agent shall be free and clear of, and not subject to, any otherwise applicable IP Restrictions, and notwithstanding anything to the contrary herein, in the Intercreditor Arrangement or in any order of the Court, the Liens granted in favor of the DIP Lenders to secure the Obligations (other than the junior Liens in respect of the Excluded Real Property) are senior in all respects to the Liens in existence or to be granted in favor of the Prepetition 1997 Lenders in respect of all claims now in existence or hereafter arising under the Prepetition 1997 Credit Agreement and the related loan documents; *provided*, that notwithstanding the foregoing, the Liens created and granted to the Agent shall be subject to (a) the Carve-Out (as hereafter defined) and (b) the statutory fees of the United States Trustee as provided in 28 U.S.C. § 1930(a) and the fees to the Clerk of the Bankruptcy Court (collectively, the "Mandatory Fees").

4. The automatic stay imposed under Bankruptcy Code section 362(a)(4) is hereby modified as necessary to permit the Debtors to grant the aforesaid Liens and the Replacement Liens and to perform the Debtors' liabilities and Obligations to the Agent and the Lenders under the DIP Credit Facility.

5. Each officer of the Debtors as may be so authorized by the Board of Directors of each of the Debtors, acting singly, is hereby authorized to execute and deliver each of the DIP Loan

Documents, such execution and delivery to be conclusive of their respective authority to act in the name of and on behalf of the Debtors.

6. At closing of the DIP Facility, the Borrower shall pay to the Prepetition 2000 Lenders on account of the Prepetition 2000 Obligations:

(a) The principal balance of the Borrower's obligations to the Prepetition 2000 Lenders of \$29,950,000.

(b) The aggregate of accrued and unpaid interest at the non-default rate owed to the Prepetition 2000 Lenders as of the Petition Date of \$248,805.72.

(c) The aggregate of accrued and unpaid fees and expenses of the Prepetition 2000 Lenders for which the Borrower is responsible (which aggregate shall be broken down by category).

(d) A per diem interest amount from the Petition Date to the date of closing of \$10,228.83 per day

At such time as the conditions precedent to the initial extension of credit under DIP Credit Facility have been satisfied (which conditions are referenced in Article 3 of the DIP Credit Agreement), the Borrower shall utilize the proceeds of the first borrowing under the DIP Credit Facility to repay the Borrower's obligations to the Prepetition 2000 Lenders consisting of unpaid principal, accrued and unpaid interest, and unpaid fees and expenses for which the Borrower is responsible under the terms of the Prepetition 2000 Credit Agreement.

7. Upon the receipt by the Prepetition 2000 Lenders of the proceeds of the wire transfer of all amounts owed to the Prepetition 2000 Lenders under the Prepetition 2000 Credit Agreement

(a) Any lien or security interest granted in favor of the Prepetition 2000 Lenders securing the Prepetition 2000 Obligations on any asset of the Debtors or otherwise shall be deemed (i) to the extent permitted under applicable law, assigned and transferred to the Agent (for the ratable benefit of the Agent and the Lenders) and the Agent shall be subrogated to all rights of the Prepetition 2000 Lenders therein, and (ii) in respect of the Prepetition 2000 Obligations only, released, terminated and extinguished and of no force or effect whatsoever.

(b) All claims of the Prepetition 2000 Lenders in respect of the Prepetition 2000 Obligations against the Debtors shall be deemed (i) to the extent permitted under applicable law, assigned and transferred to the Agent (for the ratable benefit of the Agent and the Lenders) and the Agent shall be subrogated to all rights of the Prepetition 2000 Lenders therein, and (ii) in respect of the Prepetition 2000 Obligations only, released, terminated, extinguished, and of no force or effect whatsoever.

(c) The Prepetition 2000 Agent and the Prepetition 2000 Lenders shall forthwith deliver to the Agent, any and all property of the Debtors that is in the possession or control of the Prepetition 2000 Lenders securing the Prepetition 2000 Obligations.

(d) Nothing in this Paragraph 7 shall preclude any Prepetition 2000 Lender from reinstating a claim or any lien previously securing the Prepetition 2000 Obligations to the extent any transfer made in respect of the Prepetition 2000 Obligations shall be avoided by final order, *provided*, that any such reinstated claim or lien shall be subordinated to, and junior in priority to, the Obligations and Liens of

the Agent and the Lenders, and for all purposes hereof shall be subject to the terms of the Intercreditor Arrangement.

8 The payment to the Prepetition 2000 Lenders in respect of the Prepetition 2000 Obligations, as provided in Paragraph 6, above, shall be without prejudice to (A) the right, if any, of any party in interest to object to the terms of the DIP Credit Facility in the manner provided for in Paragraph 34, below, or (B) the right, if any, of any Official Creditors' Committee appointed in these cases (the "**Creditors' Committee**") to seek entry of an order (i) disallowing in whole or in part the Prepetition 2000 Lenders' claims, (ii) avoiding in whole or in part any security or collateral interest in the assets of the Debtors claimed by the Prepetition 2000 Lenders in Prepetition 2000 Collateral, (iii) modifying the amount, validity, priority or extent of the Prepetition 2000 Lenders' liens or claims, (iv) directing the Prepetition 2000 Lenders to disgorge all or any part of any payment or transfer made by the Borrower or any other Debtor under the Prepetition 2000 Credit Agreement or as authorized pursuant to Paragraph 6, above, or (v) providing any other relief of any type or nature whatsoever, legal or equitable, against the Prepetition 2000 Lenders or otherwise permitting recovery from the Prepetition 2000 Lenders on account of their relationship with the Debtors arising under, relating to or in connection with the Prepetition 2000 Credit Agreement prior to the commencement of these proceedings, *provided* that the Creditors' Committee shall have one hundred twenty (120) days from the date of appointment of counsel to the Creditors' Committee within which to file any such objection or commence any such action, whether with respect to the Prepetition 2000 Lenders' Claim or Liens or otherwise. Any such objection or action shall set forth with reasonable particularity the basis for such objection or action and the reason why the Prepetition 2000 Lenders' Claim should not be paid in full accordance with the DIP Credit Facility and this Order. If no such objection or action is filed on or before one hundred twenty (120) days after the date of

appointment of counsel to the Creditors' Committee, the Prepetition 2000 Lenders' Claim shall be allowed as a secured claim within the meaning of Bankruptcy Code section 506 for all purposes in connection with these cases. Thereafter, any and all objections or actions (including, but not limited to, those under Bankruptcy Code sections 510, 544, 547, 548 and/or 550) by any party (including, without limitation, the Creditors' Committee and any subsequently appointed trustee, whether in a chapter 11 or chapter 7 case), with respect to the validity, sufficiency, extent, perfection, refinancing or avoidance of the Pre-Petition Lenders' liens in the Prepetition 2000 Collateral or the Prepetition 2000 Lenders' Claim, or to any matters set forth in subclauses (i) through (v) above shall be forever barred.

9. The Debtors are hereby authorized to use the Cash Collateral and other property in which the Prepetition 1997 Agent has an interest pursuant to Bankruptcy Code sections 363(b) and 363(c) in accordance with the terms and conditions of the Credit Agreement and this Order. As adequate protection to the Prepetition 1997 Agent and the Prepetition 1997 Lenders to the extent of any diminution in value of the Prepetition 1997 Lenders' interests in the Prepetition Collateral resulting from (i) the use, sale or lease of the Prepetition Collateral, (ii) the imposition of the automatic stay, (iii) the transfer of the Receivables in accordance with the Termination Agreement or (iv) the priming of the Liens on the Prepetition Collateral by the Liens in favor of the Agent and Lenders granted in this Order and the DIP Loan Documents pursuant to Bankruptcy Code section 364(d), the Prepetition 1997 Agent and the Prepetition 1997 Lenders shall be and hereby are granted (effective upon the date of this Order and without the necessity of the execution by the Debtors of mortgages, security agreements, pledge agreements, financing statements or otherwise) valid and perfected, replacement security interests in, and liens upon (the "**Replacement Liens**") all of the Debtors' right, title and interest in, to and under the Collateral, subject only to (w) the Carve-Out, (x) the Mandatory Fees, (y) Liens granted

pursuant to this Order and the DIP Loan Documents to the Agent and the Lenders to secure the Obligations and (z) any Permitted Subsequently Perfected Liens and any validly perfected liens which are or will be senior (after giving effect to this Order) to the Liens granted to the Agent and the Lenders pursuant to this Order and the DIP Loan Documents, and in all cases subject to the terms of the Intercreditor Arrangement.

10. As additional adequate protection for the Prepetition 1997 Lenders (the "**Additional Adequate Protection**"), the Debtors will (i) pay monthly interest on the Balance at the 30-day Eurodollar Rate (as defined in the DIP Credit Agreement), determined 30 days prior to the date of payment, plus 3.25% per annum, (ii) on January 31, 2001, pay the Balance to the Prepetition 1997 Lenders, subject to the restrictions set forth in section 5.02(j) of the DIP Credit Agreement, — (iii) provide to the Prepetition 1997 Lenders the same reports the Debtors are required to provide to the Agent under the DIP Loan Documents, and the Agent shall provide to the Prepetition 1997 Agent a copy of the Hilco final report and the Debtors shall provide reasonable access to the Prepetition 1997 Agent to the Debtors' books and records to determine the value of the receivables owned by the Receivables Trust as of the Petition Date, (iv) reimburse on a current basis reasonable attorney's fees and the pre-petition fees of Arthur Andersen & Co. (in the approximate amount of \$40,000), (v) if requested by the Prepetition 1997 Lenders, reimburse reasonable fees of such other professionals hired by the Prepetition 1997 Lenders to value the security interests in the Receivables Trust previously granted to the Prepetition 1997 Lenders, but affected by the termination of the Receivables Trust (provided, that any payments made pursuant to clauses (iv) and (v) shall not exceed in the aggregate \$1 million), and (vi) obtain a "First Day Order" that directs the Debtors to make payments in the ordinary course of business in respect of all undisputed goods delivered after the Petition Date. The payment of interest and fees of professionals as provided in this paragraph shall be subject to the right of any party to

seek from the Bankruptcy Court a recharacterization, at a later date, of such payments pursuant to Bankruptcy Code section 506 such that such payments may be applied to principal.

11. The granting of the Replacement Liens to the Prepetition 1997 Lenders pursuant to Paragraph 9 above shall be without prejudice to (A) the right of any party in interest to object to the terms of the DIP Credit Facility in the manner provided for in Paragraph 34, below, or (B) the right, if any, of the Creditors' Committee, if any, to seek entry of an order (i) disallowing the Prepetition 1997 Lenders' claims, (ii) avoiding any security or collateral interest in the assets of the Debtors claimed by the Prepetition 1997 Lenders in the Prepetition Collateral, (iii) modifying the amount, validity, priority or extent of the Prepetition 1997 Lenders' Liens or claims, or (iv) providing any other relief of any type or nature whatsoever, legal or equitable, against the Prepetition 1997 Lenders or otherwise permitting recovery from the Prepetition 1997 Lenders on account of their relationship with the Debtors arising under, relating to or in connection with the Prepetition 1997 Credit Agreement prior to the commencement of these proceedings, *provided* that the Creditors' Committee shall have one hundred twenty (120) days from the date of appointment of counsel to the Creditors' Committee within which to file any such objection or commence any such action, whether with respect to the Prepetition 1997 Lenders' Claim or Liens or otherwise. Any such objection or action shall set forth with reasonable particularity the basis for such objection or action. If no such objection or action is filed on or before one hundred twenty (120) days after the date of appointment of counsel to the Creditors' Committee, the Prepetition 1997 Lenders' Claim shall be allowed as a secured claim within the meaning of Bankruptcy Code section 506 for all purposes in connection with these cases. Thereafter, any and all objections or actions (including, but not limited to, those under Bankruptcy Code sections 510, 544, 547, 548 and/or 550) by any party (including, without limitation, the Creditors' Committee and any subsequently appointed trustee), with respect to the validity, sufficiency,

extent, perfection, refinancing or avoidance of the Pre-Petition Lenders' liens in the Prepetition Collateral or the Prepetition 1997 Lenders' Claim, or to any matters set forth in subclauses (i) through (iv) above shall be forever barred. Nothing in this paragraph shall operate to preclude any party in interest from contesting or disputing at any time whether the Prepetition 1997 Lenders experienced a diminution in value of their interests in the Prepetition Collateral.

12. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of (x) the Agent's Liens upon the Collateral to secure all Obligations incurred under the DIP Loan Documents, and of (y) the Replacement Liens, without the necessity of filing or recording any financing statement or other instrument or document or notification which may otherwise be required under the law of any jurisdiction or the taking of any other action to validate or perfect the Liens of the Agent and the Prepetition 1997 Agent in and to the Collateral or to entitle the Agent or the Prepetition 1997 Agent to the priorities granted herein, *provided* that the Debtors may execute and the Agent may file or record financing statements or other instruments or provide notice to evidence and to perfect the Liens authorized hereby, *provided further* that no such filing or recordation or notification shall be necessary or required in order to create or perfect any such Lien.

13. The Agent, on behalf of itself (for the ratable benefit of the Lenders) and the Prepetition 1997 Agent, in its discretion, may file a xerographic copy of this Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which the Debtors have real or personal property.

14. The DIP Credit Agreement and each of the DIP Loan Documents, respectively, shall constitute and evidence the valid and binding Obligations of each of the Debtors, which Obligations shall be enforceable against each of the Debtors in accordance with their terms

15. The Termination Agreement is hereby approved, and the Debtors are hereby authorized to perform all acts and to make, execute and deliver all instruments and documents which may be required or necessary for the performance by any of the Debtors thereunder. The Debtors are hereby authorized and directed to utilize the proceeds of the first borrowing under the DIP Credit Facility to fund payments in connection with the Termination Agreement, in accordance with Paragraph 16, below.

16. Promptly following the entry of this Order and satisfaction of the conditions precedent to the Termination Agreement, the Borrower shall utilize the proceeds from the first borrowing under the DIP Credit Facility to fund the payments required under the Termination Agreement. Upon the receipt by the Trustee of the proceeds of the wire transfer of all amounts owed to the Trustee on account of the termination of the Receivables Program:

(a) Any right, title or interest, including any lien or security interest of the Trustee and the Receivables Trust in or on any asset of the Debtors shall be deemed (i) to the extent permitted under applicable law, assigned and transferred to the Agent (for the ratable benefit of the Agent and the Lenders) and the Agent shall be subrogated to all rights of the Trustee and the Receivables Trust therein, and (ii) as to the Receivables Trust and the Trustee only, terminated and extinguished and of no force or effect whatsoever.

(b) All claims of the Trustee and the Receivables Trust against the Debtors shall be deemed (i) to the extent permitted under applicable law, assigned and transferred to the Agent (for the ratable benefit of the Agent and the Lenders) and the Agent shall be subrogated to all rights of the Trustee and the Receivables Trust therein, and (ii) as to the Trustee and the Receivables Trust, terminated, extinguished, and of no force or effect whatsoever.

(c) The Trustee and the Receivables Trust shall forthwith deliver to the Borrower, free and clear of all liens, claims and encumbrances, any and all property that is in the possession or control of the Trustee or the Receivables Trust, and the Borrower shall take such property free and clear of all liens claims and encumbrances save those created by this Order and the DIP Loan Documents.

17. The Borrower is authorized to perform the Receivables Transfer Agreement with Granite National Bank N.A. in the ordinary course of business, and the Debtors are authorized to perform all of their obligations and all acts and to make, execute and deliver all instruments and documents which may be required or necessary for the performance by any of the Debtors thereunder, consistent with the DIP Loan Documents.

ADMINISTRATIVE CLAIM

18. (a) The Obligations under the DIP Credit Facility shall be an allowed administrative expense claim (the "Super-Priority Claim") with priority (subject and subordinate to the Carve-Out, including the Retained Payments (as defined below), and the Mandatory Fees) under Bankruptcy Code section 364(c)(1) and otherwise over all administrative expense claims and unsecured claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code sections 105, 326, 330 (except as otherwise provided in Paragraph 21, below, with respect to the Mandatory Fees and Carve-Out (including the Retained Payments)), 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), and 1114.

(b) The Prepetition 1997 Agent and the Prepetition Lenders shall be entitled to all of the benefits of section 507(b) of the Bankruptcy Code, including without limitation, for any Additional Adequate Protection not paid; *provided*, that any such claim shall be an allowed administrative expense claim (the "Junior Super-Priority Claim") with priority (subject and

subordinate to the Carve-Out, including the Retained Payments (as defined below), the Mandatory Fees and junior in priority and subordinate in all respects to the Super-Priority Claim) under Bankruptcy Code section 364(c)(1) and otherwise over all administrative expense claims and unsecured claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code sections 105, 326, 330 (except as otherwise provided in Paragraph 21, below, with respect to the Mandatory Fees and Carve-Out (including the Retained Payments)), 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), and 1114; *provided* that the Junior Super-Priority Claim shall in all cases be subject to the terms of the Intercreditor Arrangement.

(c) All post-petition intercompany indebtedness involving obligations of any of the Debtors or any of their affiliates to any of the Debtors shall be an allowed administrative expense claim with priority under Bankruptcy Code section 364(c)(1) and otherwise over all administrative expense claims and unsecured claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever except for the Super-Priority Claim, the Carve-Out (including the Retained Payments) and the Mandatory Fees and such claims on account of Post-Petition Intercompany Indebtedness shall be part of the Collateral securing all Obligations under the DIP Loan Documents.

19. Except as set forth in Paragraph 3, the Liens and Replacement Liens shall be prior and senior to all Liens and encumbrances of other secured creditors in and to such Collateral granted or arising, after the Petition Date (including, without limitation, Liens and security interests, if any, granted in favor of any federal, state, municipal or other governmental unit, commission, board or court for any liability of the Debtors).

20. Except for (a) the Mandatory Fees and (b) the allowed amounts to be paid from the Carve-Out, plus the allowed amounts representing Retained Payments, no costs or expenses of administration including, without limitation, professional fees allowed and payable under Bankruptcy Code sections 330 and 331 that have been or may be incurred in these chapter 11 cases, and no priority claims to the Collateral are, or will be, prior to or on a parity with the Obligations under the DIP Credit Facility, or with any other claims of the Agent arising hereunder. Except for (a) the Mandatory Fees, (b) the allowed amounts to be paid from the Carve-Out, plus the allowed amounts representing Retained Payments, and (c) the Super-Priority Claim, no costs or expenses of administration including, without limitation, professional fees allowed and payable under Bankruptcy Code sections 330 and 331 that have been or may be incurred in these chapter 11 cases, and no priority claims to the Collateral are, or will be, prior to or on a parity with the Obligations under the Prepetition 1997 Loan Documents, or with any other claims of the Prepetition 1997 Agent arising hereunder.

21. The term “**Carve-Out**” means the sum of \$3,000,000, which shall be available for distribution for those fees and expenses of the professionals (the “**Professionals**”) employed at the expense of the Debtors' estates in the course of these chapter 11 cases pursuant to sections 327, 328, 503(b) or 1103 of the Bankruptcy Code and for the reimbursement of all reasonable and documented out-of-pocket expenses of members of the Creditors' Committee. Any amounts paid to the Professionals or to members of the Creditors' Committee prior to the occurrence of Event of Default (the “**Retained Payments**”) shall not be credited or applied against the Carve-Out. The Carve-Out and the Retained Payments shall in any event exclude any fees and expenses (i) arising out of or related to the prosecution of any claims or causes of action against the Agent or the Lenders, and (ii) arising as to services rendered after conversion of the chapter 11 cases to cases under chapter 7 of the Bankruptcy Code. The payment of the Carve-Out and

the Retained Payments shall not reduce, or be deemed applied in reduction of, the DIP Lenders' claims against the Debtors. Nothing set forth in this Paragraph 21 shall be deemed to prejudice, in any way, the Agent's right to object to any request made by any Professional for payment of fees and services.

22. The Debtors agree that no cost or expense which is incurred by the Debtors in connection with or on account of the preservation or disposition of any Collateral or which otherwise could be chargeable to the Agent or the Collateral pursuant to Bankruptcy Code section 506(c) or otherwise, shall be chargeable to the Agent or the Collateral, except for the Mandatory Fees, from the Carve-Out and as Retained Payments.

23. Unless the Agent has provided its prior written consent or all liabilities and all Obligations under the DIP Credit Facility have indefeasibly been paid in full in cash, there shall not be entered in these proceedings, or in any successor cases, any order which authorizes:

(a) the obtaining of credit or the incurring of indebtedness that is (i) secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the Collateral which is equal or senior to the liens and security interests held by the Agent, or (ii) entitled to priority administrative status which is equal or senior to that granted to Agent herein; *provided however*, that nothing herein shall prevent the entry of an order that specifically provides that as a condition to the granting of the benefits of (i) and (ii) above, all Obligations under DIP Credit Facility must be indefeasibly paid in full in cash; or

(b) the enforcement of any claimed security, mortgage, or collateral interest or other Liens of any person other than of the Agent on all or any portion of the Collateral (other than the enforcement of a lien on property of any of the Debtors'

estates which, as of the Petition Date, was subject to a valid and perfected lien (other

than on the Prepetition Collateral), or a lien which constitutes a Permitted

Subsequently Perfected Lien, in each case only to the extent having priority over the lien of the DIP Lenders); or

(c) any payment or the transfer of any property on account of claims asserted by vendors of any Debtor for reclamation in accordance with Section 546(c) of the Bankruptcy Code, or the Debtors' return of goods constituting Collateral pursuant to Section 546(g)* of the Bankruptcy Code, *provided* that nothing herein shall preclude the entry of any order granting a claim, under Bankruptcy Code section 503(b) and in accordance with Bankruptcy Code section 546(c)(2)(A), to a vendor asserting a valid reclamation claim. *This provision becomes effective only upon this order becoming a final order* —

24. Without limiting the provisions and protections of Paragraph 23, above, if at any time prior to the repayment in full of all Obligations under the DIP Credit Facility and the termination of the Agent's obligation to make loans and advances under the DIP Loan Documents, any Debtor or any Trustee subsequently appointed shall obtain credit or incur debt pursuant to Bankruptcy Code section 364(b), 364(c) or 364(d), then all of the consideration for such credit or debt shall immediately be turned over to the Agent in reduction of the Obligations under the DIP Credit Facility.

25. All Obligations of the Debtors to the Agent and the Lenders under the DIP Credit Facility are due and payable upon the earliest to occur of the following:

(a) July 15, 2000 (or such later date to which the Agent and the Debtors agree in writing), unless a Final Order approving the Motion (in form reasonably acceptable to the Agent) has been entered by such date, in which event the foregoing date shall be extended to June 2, 2003; or

(b) the occurrence of an Event of Default (as defined in the DIP Credit Agreement); or

(c) the effective date of any plan of reorganization for any of the Debtors in these chapter 11 cases.

Unless and until the Obligations under the DIP Credit Facility are repaid in full, the protections afforded to the Agent under the DIP Loan Documents and hereunder, and any actions taken pursuant thereto and the Carve-Out (as to pre-conversion services), shall survive the entry of any order confirming a plan of reorganization or converting any of these cases into a case pursuant to chapter 7 of the Bankruptcy Code, and the Liens in and to the Collateral and the Super-Priority Claim and the Junior Super-Priority Claim shall continue in these proceedings and in any such successor case, and such Liens, Super-Priority Claim and the Junior Super-Priority Claim shall maintain their priority as provided by this Order (and the Intercreditor Arrangement) until the Obligations under the DIP Credit Facility have been satisfied in full, and the Junior Super-Priority Claim shall maintain their priority as provided by this Order until the Prepetition 1997 Obligations shall have been satisfied in full.

26. The time and manner of payment of the Obligations pursuant to the DIP Credit Facility, the Liens in and to the Collateral and the Super-Priority Claim shall not be altered or impaired by any plan of reorganization which may hereafter be confirmed or by any further order which may hereafter be entered.

REMEDIES UPON AN EVENT OF DEFAULT

27 Any automatic stay otherwise applicable to the Agent is hereby modified so that upon the occurrence of an Event of Default (as defined in the DIP Credit Agreement) and at any time thereafter, upon five (5) days prior written notice of such occurrence, in each case given to the

Borrower and the Parent Guarantor, counsel to the Creditor's Committee (if any) appointed in these proceedings, and the United States Trustee, and without further order of the Court, the Agent shall be entitled to exercise the Agent's rights and remedies upon default. Following the giving of notice by the Agent of the occurrence of any Event of Default:

(a) the Agent may terminate the Commitments and thereafter cease to make Advances (including Working Capital Advances, Swing Line Advances and Letter of Credit Advances) to the Borrower;

(b) the Agent may declare the principal of and accrued interest, fees and other liabilities constituting the Obligations to be due and payable;

(c) the Debtors shall continue to deliver and cause the delivery of the proceeds of the Collateral to the Agent, as provided in the DIP Loan Documents;

(d) the Agent shall continue to apply such proceeds in accordance with the provisions of the DIP Credit Agreement and in accordance with this Order; and

(e) the Debtors shall have no right to use any of such proceeds, nor any other cash collateral (as defined in Bankruptcy Code section 363(a)) other than towards the satisfaction of the Obligations due to the Agent and the Lenders under the DIP Credit Facility, the obligations payable from the Carve-Out and the Mandatory Fees.

28. Nothing included herein shall prejudice, impair, or otherwise affect the Agent's right to seek any other or supplemental relief in respect of the Debtors nor the Agent's right, as provided in the DIP Credit Agreement, to suspend or terminate the making of loans under the DIP Credit Agreement.

MISCELLANEOUS PROVISIONS

29. If any provision of this Order is hereafter modified, vacated or stayed by subsequent order of this or any other Court for any reason, such modification, vacation, or stay shall not affect the validity of any liability incurred pursuant to this Order and prior to the later of (a) the effective date of such modification, vacation, or stay, or (b) the entry of the order pursuant to which such modification, vacation, or stay was established, nor the validity, priority, or enforceability of any Lien granted by the Debtor to the Agent.

30. The payments made, and the Liens and Super-Priority Claims granted to the Agent under the DIP Credit Facility and this Order, and the priority thereof, shall be binding on the Debtors, any successor trustee for the Debtors, and all creditors of the Debtors, as provided in Bankruptcy Code section 364(e).

31. The Agent's failure to seek relief or otherwise exercise its rights and remedies under the DIP Credit Facility or this Order shall not constitute a waiver of any of the Agent's rights hereunder, thereunder, or otherwise.

32. The Debtors and the Agent may amend or waive any provision of the DIP Credit Facility, provided that such amendment or waiver, in the judgment of the Debtors and the Agent, is either nonprejudicial to the rights of third parties or is not material. Except as otherwise set forth in the foregoing sentence, no waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by the parties hereto and approved by the Court.

33. In the event of any inconsistency between the terms and conditions of any DIP Loan Document and of this Order, the provisions of this Order shall govern and control.

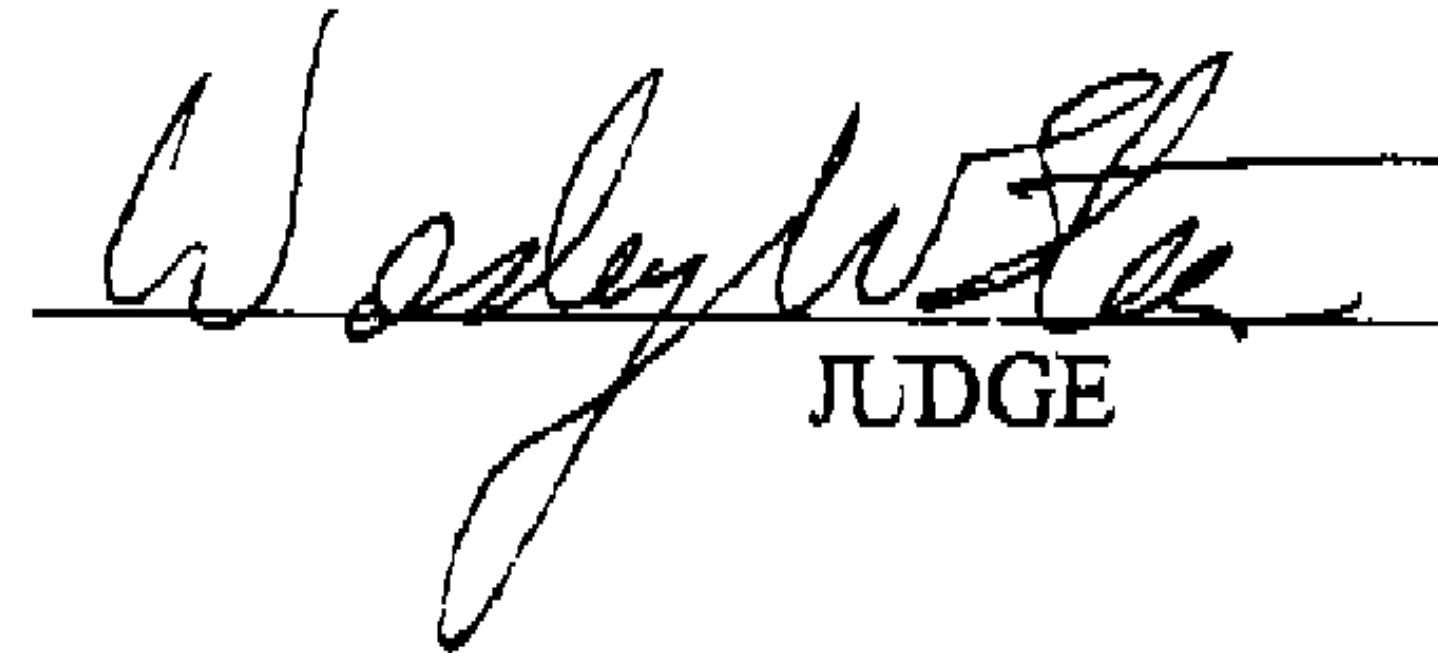
34. The Debtors shall, on or before June ~~8~~^{WS}, 2000, serve by U.S. mail copies of the notice of approval of this Order, together with a copy of this Order to (i) parties having been given notice of the emergency hearing, (ii) any other party that has filed a request for notice with this Court and served such request upon the Debtor's counsel, (iii) counsel for any statutory committee, (iv) counsel for the Agent, (v) the Prepetition Agent and counsel for the Prepetition 1997 Agent, (vi) the Prepetition 2000 Agent and counsel for the Prepetition 2000 Agent, (vii) the Prepetition 1997 Lenders, (viii) counsel for the Creditors' Committee, if any, (ix) counsel for Oak Hill Partners, (x) each of the landlords under the Debtors' real property leases, (xi) counsel to the Trustee, (xii) the Debtors' twenty largest unsecured creditors, and (xiii) the Office of the United States Trustee. The notice of approval of this Order shall state that any party in interest objecting to the DIP Credit Facility or the terms of the Final Order shall file written objections with the United States Bankruptcy Court Clerk for the Southern District of Texas, Houston Division, no later than 4:00 p.m. on June 8/9^{WS} 2000, which objections shall be served so that same are received by no later than 4:00 p.m. (Houston time) on such date by the Office of the United States Trustee, counsel for the Debtors, counsel for the Agent, counsel for the Prepetition 1997 Agent, counsel for the Prepetition 2000 Agent and counsel for the Creditors' Committee, if any.

and (xiv) any party that may ^{WS}
have a possible reclamation
claim.

35. The Final Hearing to consider the Motion and Final Order shall be held on

June ~~24~~ 26th, 2000, at 1:00 p.m., at the United States Bankruptcy Court,
United States Courthouse, 515 Rusk Avenue, Room 4025, Houston, Texas 77002, before the
Honorable Wesley W. Steen, United States Bankruptcy Judge.

SO ORDERED by the Court this 2d day of June, 2000.


JUDGE

SPECIALTY RETAILERS, INC.
INTERCREDITOR ARRANGEMENT

This Intercreditor Arrangement (this "Arrangement"), annexed as Exhibit A to the Financing Order (as defined below) entered by the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"), sets forth the relative rights in relation to the Prepetition Collateral and the DIP Collateral and the Super-Priority Claim and the Junior Super-Priority Claim (each as defined in the Financing Order (as defined below)) of (a) Citibank, N.A. (the "**Agent**"), as administrative agent and collateral agent for the Secured Parties (the Agent and such Secured Parties are herein referred to together as the "**Lenders**") referred to in the DIP Credit Agreement (as defined below) and (b) Credit Suisse First Boston (i) as Administrative Agent, Collateral Agent, Swingline Bank and L/C Bank ("**CSFB**", and in its capacities as Administrative Agent and Collateral Agent, the "**Prepetition Agent**") under a certain credit agreement dated as of June 16, 1997 (as amended, the "**Prepetition 1997 Credit Agreement**") among Specialty Retailers, Inc., a Texas Corporation (the "**Borrower**"), Stage Stores, Inc., a Delaware corporation (the "**Parent Guarantor**"), CSFB and the Banks (as defined in the Prepetition 1997 Credit Agreement; together, CSFB and the Banks are hereafter referred to as the "**Prepetition Lenders**"), (ii) as Collateral Agent under the Security Agreement dated as of June 7, 1997, as amended by the Amended and Restated Security Agreement, dated as of March 6, 2000, among the Borrower, the Parent Guarantor and Specialty Retailers, Inc. (N.V.) (as amended, the "**Prepetition Security Agreement**"), (iii) as Collateral Agent under the Pledge Agreement, dated as of June 17, 1997, among the Borrower, the Parent Guarantor and CSFB (as amended, the "**Pledge Agreement**"), (iv) as Collateral Agent under the Trademark Security Agreement, dated as of June 17, 1997, among the Borrower, the Parent Guarantor and CSFB (as amended, the "**Trademark Security Agreement**"), and (v) as Collateral Agent under the Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of June 17, 1997, among the Borrower, Kenneth Krauss and CSFB (the "**Mortgage**").

PRELIMINARY STATEMENTS:

(1) The Lenders have entered into a Debtor-in-Possession Credit Agreement, dated as of June 2, 2000 (the "**DIP Credit Agreement**"; terms defined therein and not otherwise defined herein being used herein as therein defined) with the Borrower and the Parent Guarantor (together, the "**Loan Parties**"). Pursuant to the DIP Credit Agreement, the Notes, the Guaranties, the Collateral Documents, the Fee Letter, and each Letter of Credit Agreement, each as it may hereafter be supplemented, amended, refinanced, restated, renewed, extended or otherwise modified from time to time (collectively, the "**Loan Documents**"), and pursuant to the order of the Bankruptcy Court approving the financing transactions contemplated by the Loan Documents (including any interim order and any final order, the "**Financing Order**"), the Lenders will be secured by a first priority security interest in and/or lien on the DIP Collateral (as defined below) in respect of the Loan Parties' obligations under the Loan Documents and shall be granted the Super-Priority Claim.



(2) The Prepetition Lenders have advanced funds to the Borrower under the Prepetition 1997 Credit Agreement and have been granted security interests in and/or liens on the Prepetition Collateral (as defined below) pursuant to the Prepetition Security Agreement, the Pledge Agreement, the Trademark Security Agreement and the Mortgage;

(3) The Borrower has granted to the Prepetition Lenders junior replacement liens on the DIP Collateral and has granted the Junior Super-Priority Claims as adequate protection pursuant to the Financing Order; and

(4) The Agent has required as a condition precedent to the Initial Extension of Credit by the Lenders under the Loan Documents the approval of this Intercreditor Arrangement setting forth the respective rights of the Agent and Prepetition Lenders, and in particular the parties' relative rights and respective security interests in and/or liens on the DIP Collateral and the Prepetition Collateral and in respect of the Super-Priority Claim and the Junior Super-Priority Claim.

NOW, THEREFORE, in connection with the Financing Order, the relative rights of the Agent and Prepetition Lenders in respect of the Prepetition Collateral and the DIP Collateral, and in respect of the Super-Priority Claim and the Junior Super-Priority Claim, shall be governed by the terms and conditions set forth in this Arrangement, as follows:

SECTION 1. Definitions. As used in this Arrangement, the following terms shall have the meanings respectively set forth after each:

"Adequate Protection Payments" shall mean payments by the Borrower to the Prepetition Lenders, pursuant to sections 361 and 364 of the United States Bankruptcy Code and the Financing Order, as adequate protection of the Prepetition Lenders' interest in the Prepetition Collateral, including any payment on account of professional fees incurred by the Prepetition Lenders.

"DIP Collateral" shall mean the Collateral, as defined in the DIP Credit Agreement, and all other property that is or is intended to be subject to any Lien in favor of the Agent for the benefit of the Lenders.

"DIP Indebtedness" shall mean all Obligations of the Loan Parties to the Lenders evidenced by or arising under any one or more of the Loan Documents, all whether fixed or contingent, matured or unmatured, liquidated or unliquidated, and whether arising under contract, in tort or otherwise, including any Refinancing of such Obligations.

"Excluded Real Property" shall mean the [company to provide description of distribution center and credit card center].

"Financing Order" shall have the meaning specified in the Preliminary Statements of this Arrangement.

"Loan Documents" shall have the meaning specified in the Preliminary Statements of this Arrangement.

"Prepetition Agent" shall mean Credit Suisse First Boston in its capacities as Administrative Agent and Collateral Agent pursuant to the Prepetition Lender Documents.

"Prepetition Collateral" shall have the meaning specified in the Financing Order;

"Prepetition Lender Documents" shall mean any and all present and future agreements, documents and/or instruments evidencing, documenting, securing or otherwise relating to any or all of the Prepetition Lender Indebtedness, all as the same may from time to time be supplemented, amended, refinanced, restated, renewed, extended or otherwise modified.

"Prepetition Lender Indebtedness" shall mean all Obligations of the Borrower and the Parent Guarantor (including, without limitation, interest accruing after the commencement of a bankruptcy proceeding by or against the Borrower or the Parent Guarantor) to the Prepetition Lenders evidenced by or arising under any one or more of the Prepetition Lender Documents, all whether fixed or contingent, matured or unmatured, liquidated or unliquidated, and whether arising under contract, in tort or otherwise.

"Prepetition Security Agreement" shall have the meaning specified in the Preliminary Statements of this Arrangement.

"Refinancing" shall mean a refinancing of the Obligations of the Loan Parties to the Lenders evidenced by or arising under any one or more of the Loan Documents, all whether fixed or contingent, matured or unmatured, liquidated or unliquidated, and whether arising under contract, in tort or otherwise, on terms substantially similar to those of the Loan Documents, provided that the aggregate commitment of such refinancing does not exceed the lesser of (x) \$450 million and (y) the aggregate Commitment (as defined in the DIP Credit Agreement) at the time of such refinancing.

SECTION 2. No Obligations to Loan. This Arrangement is intended to set forth the relative and respective rights of the Prepetition Lenders and the Lenders in the Prepetition Collateral and the DIP Collateral and in respect of the Super-Priority Claim and the Junior Super-Priority Claim, and the existence of this Arrangement shall not commit or obligate the Prepetition Lenders or the Lenders to make loans or extend credit to any Loan Party.

SECTION 3. Preservation of Security Interests as Against Third Parties.

Nothing contained in this Arrangement is intended to affect or limit in any way the security interests and/or liens of the Prepetition Lenders or the Lenders in or on any or all of the property and assets of the Loan Parties, whether tangible or intangible, insofar as the Loan Parties and third parties are concerned. The rights of the Lenders and the Prepetition Lenders in respect of the DIP Collateral and the Prepetition Collateral as against the Loan Parties and third parties are specifically preserved, including all respective security interests and/or liens and rights to assert such security interests and/or liens.

SECTION 4. Priority of Security Interests and Claims Under Section

364(c)(1). (i) Irrespective of (a) the time, order, manner or method of creation, attachment or perfection of the respective security interests and/or liens granted to the Prepetition Lenders or the Lenders in or on any or all of the property or assets of the Loan Parties, (b) the time or manner of the filing of their respective financing statements, (c) whether the Prepetition Lenders or the Lenders or any bailee or agent thereof holds possession of any or all of the property or assets of the Loan Parties, (d) the dating, execution or delivery of any agreement, document or instrument granting the Prepetition Lenders or the Lenders security interests and/or liens in or on any or all of the property or assets of the Loan Parties, (e) the giving or — failure to give notice of the acquisition or expected acquisition of any purchase money or other security interests and (f) any provision of the Uniform Commercial Code (the "UCC") or any other applicable law to the contrary, any and all security interests, liens, rights and interests of the Prepetition Lenders, whether now or hereafter arising or existing, in or on any or all of DIP Collateral and the Prepetition Collateral shall be junior, second and subordinated in all respects to the security interests, liens, rights and interests of the Lenders in the DIP Collateral and the Prepetition Collateral; *provided, however*, that the Lenders' security interests, liens, rights and interests in the Excluded Real Property shall be junior, second and subordinated in all respects to those of the Prepetition Lenders. For purposes of the foregoing allocation of priorities, any claim of a right of set-off shall be treated in all respects as a security interest and no claimed right of set-off shall be asserted to defeat or diminish the rights or priorities provided for herein. In addition, the grant to the Lenders of a senior, first priority perfected priming lien and security interest in the Prepetition Collateral shall include, without limitation, a senior, first priority perfected priming lien and security interest in any shares pledged to the Prepetition Agent and/or Prepetition Lenders, notwithstanding nondelivery of such shares to the Agent or the fact that such shares may remain in the possession of the Prepetition Agent and/or Prepetition Lenders.

(ii) The Prepetition Lender Indebtedness shall not be paid or payable from any property of the Debtors (other than the Excluded Real Property) or otherwise in connection with the enforcement or assertion of the Junior Super-Priority Claim unless and until all DIP Indebtedness shall have been fully, finally and indefeasibly paid in cash; *provided*, that the Balance may be paid in accordance with the restrictions set forth in Section 5.02(j) of the DIP Credit Agreement.

SECTION 5. Standstill. The Prepetition Lenders shall have no right to take any action to obtain possession of or realize upon the DIP Collateral and/or the Prepetition Collateral, whether by judicial or non-judicial foreclosure, notification to any account debtor of a Loan Party, the filing of any request to lift, annul or modify the automatic stay, the seeking of the appointment of a trustee for any portion of the property or assets of any Loan Party or otherwise, or to take possession of any of the DIP Collateral and/or the Prepetition Collateral or to seek payment in respect of the Junior Super-Priority Claim, unless and until all of the DIP Indebtedness shall have been fully, finally and indefeasibly paid in cash and all financing arrangements and commitments between the Loan Parties and the Lenders have been terminated; *provided, however*, that notwithstanding the foregoing, the Prepetition Lenders may seek entry of an order pursuant to Bankruptcy Code section 363(c) granting adequate protection in addition to the adequate protection provided in the Financing Order (but the Loan Parties and the Agent and Lenders each reserve all of their rights to contest any such request).

SECTION 6. Adequate Protection Payments. (a) Notwithstanding anything in this Arrangement to the contrary, any Loan Party may pay to the Prepetition Lenders, and the Prepetition Lenders may accept and retain from any Loan Party, Adequate Protection Payments in respect of the Prepetition Lender Indebtedness which are made in accordance with the Financing Order by any Loan Party, whether such payments are made from the DIP Collateral or otherwise until the earliest to occur of: (i) receipt by the Prepetition Agent of written notice of the occurrence of a Default or Event of Default under the Loan Documents; (ii) receipt by the Prepetition Agent of written notice of a breach or violation of the Financing Order; or (iii) such time as the Lenders or the Agent, on behalf of the Lenders, (x) declare immediately due and payable any part or all of the DIP Indebtedness or (y) exercise any remedy with respect to the DIP Collateral or Prepetition Collateral in accordance with the Loan Documents and the Financing Order, and in each case upon the Prepetition Agent's receipt of written notice of such action.

SECTION 7. Turnover of Collateral. In the event any payment or distribution to the Prepetition Lenders is made from any of the DIP Collateral or the Prepetition Collateral or in respect of the Junior Super-Priority Claim upon or with respect to any of the Prepetition Lenders Indebtedness prior to the time all of the DIP Indebtedness shall have been fully, finally and indefeasibly paid in cash and all financing arrangements and commitments between the Loan Parties and the Lenders shall have been terminated (other than voluntary payments by the Loan Parties to the Prepetition Lenders on the Prepetition Lender Indebtedness to the extent permitted under Section 6 above), the Prepetition Lenders shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Agent for the benefit of the Lenders in precisely the form received (except for the endorsement or assignment of the Prepetition Lenders where necessary) for application against the DIP Indebtedness, whether due or not due, and, until so delivered, the same shall be held in trust by the Prepetition Lenders as the property of the Lenders.

SECTION 8. Disposition of Collateral. The Prepetition Lenders shall not directly or indirectly take any action to contest or challenge the validity, legality, enforceability, perfection, priority or avoidability of any of the DIP Indebtedness, any of the

Loan Documents or any of the security interests and/or liens of the Agent and the Lenders in or on any of the DIP Collateral, the Super-Priority Claim or the reasonableness of any action or failure to act by the Agent or the Lenders in respect of the DIP Collateral, including, without limitation, the timing, method or manner of (i) any consent to disposition by the Loan Parties of any DIP Collateral or Prepetition Collateral or (ii) disposing of or liquidating any DIP Collateral or Prepetition Collateral, the terms, including the price and percentage of consideration received in cash, of any such disposition or liquidation, or any failure to dispose of or liquidate any DIP Collateral or Prepetition Collateral, including acceptance of DIP Collateral or Prepetition Collateral by the Agent and the Lenders in full or partial satisfaction of any DIP Indebtedness.

SECTION 9. Enforcement of Security Interests. The Prepetition Lenders shall not oppose, interfere with or otherwise attempt to prevent the Agent and the Lenders from enforcing their security interests in and/or liens on any of the DIP Collateral or otherwise realizing upon any of the DIP Collateral or Prepetition Collateral. Upon entry of the Financing Order on notice to the Prepetition Lenders, the Prepetition Lenders shall be deemed to have acknowledged that the security interests in and liens upon the DIP Collateral in favor of the Agent and the Lenders are free and clear of, and not subject to, any restrictions otherwise applicable to the disposition of the DIP Collateral which relate to, or are otherwise imposed by, trademark, copyright, patent, licensing or similar laws relating to intellectual property rights, or any other party's rights under any such law, including any such rights which may arise upon foreclosure of a security interest in any trademark, copyright, patent, mark, license or similar intellectual property right or interest of any of the Loan Parties.

SECTION 10. Insurance Proceeds. (a) In the event of the occurrence of any casualty with respect to any of DIP Collateral or Prepetition Collateral other than the Excluded Real Property, the Agent and the Lenders shall have the sole and exclusive right to adjust, compromise or settle any such loss with the insurer thereof, and to collect and receive the proceeds from such insurer;

(b) In the event of the occurrence of any casualty with respect to the Excluded Real Property, the Prepetition Agent and the Prepetition Lenders shall have the sole and exclusive right to adjust, compromise or settle any such loss with the insurer thereof, and to collect and receive the proceeds from such insurer;

(c) Any insurer shall be fully protected if it acts in reliance on the provisions of this paragraph.

SECTION 11. Recovery in Respect of Certain Prepetition Letters of Credit. Notwithstanding anything in this Intercreditor Arrangement to the contrary, the Prepetition Agent and the Prepetition Lenders may, to the extent an entity has received payment on account of a claim but nonetheless draws under a letter of credit issued prepetition pursuant to the Prepetition 1997 Credit Agreement, the Prepetition 1997 Lenders may seek to recover from such entity the amount drawn under the letter of credit; *provided*, that such right shall be without prejudice to the right of the Debtors or any other party to challenge such recovery.

SECTION 12. Waiver of Certain Rights. (a) The Prepetition Lenders are hereby deemed to have waived any and all rights to (i) require the Agent and the Lenders to marshal any property or assets of any Loan Party or to resort to any of the property or assets of any Loan Party in any particular order or manner, or (ii) require the Agent and the Lenders to enforce any guaranty or any security interest or lien given by any person or entity other than any Loan Parties to secure the payment of any or all of the DIP Indebtedness as a condition precedent or concurrent to taking any action against or with respect to the DIP Collateral and/or the Prepetition Collateral; and

(b) In the chapter 11 cases of the Borrower, the Parent Guarantor and the Subsidiary Guarantor, filed on or about June 1, 2000, in the United States Bankruptcy Court for the Southern District of Texas, the Prepetition Lenders shall be barred from raising any objection to any motion by the Lenders for relief from automatic stay to permit the Lenders to foreclose on, sell or otherwise realize upon the DIP Collateral and/or Prepetition Collateral, provided that the Lenders shall have exercised their rights in accordance with the DIP Credit Agreement.

SECTION 13. Assignment of Indebtedness. In the event any Prepetition Lender assigns any interest in any of the Prepetition Lender Indebtedness, the assignment of any such Indebtedness shall be expressly subject to the terms, provisions and conditions of this Arrangement and that the assignee thereof shall be bound by the terms, provisions and conditions of this Arrangement. The failure of any Prepetition Lender to comply with the terms of this section shall result in the assignee of such Prepetition Lender not being entitled to receive the adequate protection granted pursuant to the Financing Order.

SECTION 14. Term. This Arrangement shall remain in full force and effect until all of the DIP Indebtedness shall have been fully and finally paid in cash and all financing arrangements and commitments between the Loan Parties and the Lenders shall have been terminated. This Arrangement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the DIP Indebtedness is rescinded or must otherwise be returned by Lenders, all as though such payment had not been made. The Lenders may, subject to Bankruptcy Court approval, continue to extend credit or other financial accommodations and loan monies to or for the benefit of any Loan Party, on the faith hereof, under the Loan Documents or otherwise without notice to the other parties hereto. Any party or parties that shall enter into a Refinancing (which Refinancing shall have been approved by the Bankruptcy Court) shall obtain all of the benefits of this Arrangement.

SECTION 15. Amendment and Release. The Lenders may at any time and from time to time (x) enter into such agreements with the Loan Parties as the Lenders may deem proper (i) increasing or decreasing the principal amount of, extending the time of payment of and/or renewing or otherwise amending or altering the terms (including, without limitation, the interest rates) of any or all of the DIP Indebtedness and/or (ii) amending, modifying or otherwise altering the terms of the Loan Documents and (y) exchange, sell, release, surrender or otherwise deal with any or all of the DIP Collateral, all without in any

way compromising or affecting this Arrangement, and the Prepetition Lenders shall not object to such matters; *provided, however*, that notwithstanding the foregoing, with respect to any amendment to the Loan Documents which (i) effects an increase pursuant to which the total Commitment (as defined in the Credit Agreement) are increased to an amount in excess of the lower of (x) \$450 million and (y) the total Commitment at the time of such amendment, or (ii) seeks to increase the percentages in clauses (a), (b) and (c) in the Credit Agreement definition of Loan Value, the Debtors shall request Bankruptcy Court approval and the Prepetition Lenders may object to any such request (and the Debtors, the Agent and the Lenders reserve their right to contest any such objection).

SECTION 16. Reliance; Waiver of Notices; No Representations; Management of Credit Facilities. All of the DIP Indebtedness shall be deemed to have been made or incurred in reliance upon this Arrangement. The Prepetition Lenders shall be deemed to have expressly waived all notices not specifically required pursuant to the terms of this Arrangement. Neither the Prepetition Lenders nor the Agent, on behalf of the Lenders, has made or shall be deemed to have made any representation or warranty with respect to the due execution, legality, validity, completeness or enforceability of any of the respective documents to which they are a party, the perfection or priority of any security interest or lien securing any or all of the DIP Indebtedness or the Prepetition Lender Indebtedness or the collectibility of — any of such DIP Indebtedness or the Prepetition Lender Indebtedness. No party shall have any liability to the other for any loss, claim or damage allegedly suffered by such other party in any proceeding to foreclose or otherwise enforce any of its first priority security interests in and/or liens on any of such DIP Collateral or Prepetition Collateral.

SECTION 17. Financial Condition of the Loan Parties. The Prepetition Lenders and the Lenders shall have sole responsibility for keeping themselves informed of the financial condition of the Loan Parties and of all other circumstances bearing upon the risk of nonpayment of their respective facilities that diligent inquiry would reveal. Neither the Prepetition Lenders nor the Lenders shall have any duty to advise the other (or any third party) of any information regarding such condition or any such circumstances.

SECTION 18. Waivers; Failure or Delay. No failure or delay on the part of any of the Prepetition Lenders, the Agent, on behalf of the Lenders, or any Lender in the exercise of any power, right, remedy or privilege under this Arrangement shall impair such power, right, remedy or privilege or shall operate as a waiver thereof; nor shall any single or partial exercise of any such power, right, remedy or privilege preclude any other or further exercise of any other power, right, remedy or privilege. The waiver of any such right, power, remedy or privilege with respect to particular facts and circumstances shall not be deemed to be a waiver with respect to other facts and circumstances.

SECTION 19. Severability. Whenever possible, each provision of this Arrangement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Arrangement shall be prohibited by or invalid under applicable law, such provision shall be effective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of

this Arrangement. This Arrangement shall be incorporated by reference into the Financing Order and shall constitute an integral part thereof.

SECTION 20. Successors and Assigns. This Arrangement shall be binding upon and inure to the benefit of the Agent and the Lenders and their respective successors and assigns.

SECTION 21. Equitable Remedies. The breach of any of the provisions of this Arrangement by the Lenders or the Prepetition Lenders is likely to cause irreparable damage to the other party. Therefore, the relief to which any party shall be entitled in the event of any such breach or threatened breach shall include, but not be limited to, a mandatory injunction for specific performance, injunctive or other judicial relief to prevent a violation of any of the provisions of this Arrangement, damages and any other relief to which it may be entitled at law or in equity.

SECTION 22. Attorneys' Fees and Expenses. In the event of any dispute concerning the meaning or interpretation of this Arrangement which results in litigation, or in the event of any litigation by a party hereto to enforce the provisions hereof, the prevailing party shall be entitled to recover from the non-prevailing party, in addition to its other damages, its reasonable attorneys' fees and expenses and any actual court costs incurred.

SECTION 23. Headings. Section headings used in this Arrangement are for convenience of reference only and shall not constitute a part of this Arrangement for any purpose or affect the construction of this Arrangement.

SECTION 24. No Agency Relationship. Neither this Arrangement, the Financing Order, the DIP Loan Documents nor the Prepetition Lenders Documents create an agency relationship between the Lenders, on the one hand, and the Prepetition Agent and the Prepetition Lenders, on the other hand.

SECTION 25. Inconsistency With Financing Order. To the extent there shall be any inconsistency between the Financing Order and this Arrangement, the terms of the Financing Order shall govern. Nothing in this Arrangement contravenes or restricts any of the rights and remedies granted to the Agent and the Lenders under the Financing Order.

ACKNOWLEDGMENT

The undersigned, _____, hereby acknowledge receipt of a copy of the foregoing Intercreditor Arrangement (the "**Intercreditor Arrangement**"; all capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Intercreditor Arrangement) and consents to the terms thereof. Each of the undersigned acknowledges and agrees that any payments or other amounts paid by any of the undersigned to the Prepetition Lenders which are required to be turned over or otherwise remitted by the Prepetition Lenders to the Lenders pursuant to the terms of the Intercreditor Arrangement shall not be deemed to be payments on the Prepetition Lender Indebtedness.

Executed this ____ day of June 2000.

SPECIALTY RETAILERS, INC.

By: _____

Name:

Title:

STAGE STORES, INC.

By: _____

Name:

Title:

SPECIALTY RETAILERS, INC. (N.V.)

By: _____

Name:

Title: